The Beijing Consensus and African Autonomy

By **Jessie Yin**
University of Texas at Austin

Abstract

When trying to uncover the effects of Chinese investment in Africa on the local labor force, variations can be found from country to country. A purely quantitative analysis of employment percentages, wages, or income per household does not capture these complexities and overlooks the autonomy of African nations. Through a descriptive analysis of employment patterns in resource-for-infrastructure projects in Ghana and Angola, I hope to explain how the types of interests brought to the bargaining process by domestic political institutions create the observable variations.

Introduction

"Always the Chinese will be the master and the Angolan the helper. This is our country. We should be in charge," a Luanda taxi-driver complains, a sentiment that appears to reverberate in local labor populations across the continent (Coroado and Brock). This complaint addresses the preference of Chinese companies for importing their own workers for their public works projects, and for relegating local workers to low positions with long hours and insufficient pay. These employment models have invited accusations that China is flooding Africans out of their own job market in the mission of extracting the continent's natural resources. However, when studying the employment patterns of local labor in Chinese projects, I found that there are variations from state to state that cannot be understood through macro-level quantitative analysis alone.

How has Chinese investment impacted the local labor force in African countries, and how is China's influence mediated and complicated by domestic political institutions? This paper uses detailed case studies of Ghana and Angola to answer these questions. The independent variable is limited to a certain type of investment that China has popularized: resources-for-infrastructure (RFI) agreements. RFI agreements pledge certain amounts of a natural resource from the borrowing nation in exchange for infrastructure construction by China. They are often cited as a prime example of China's attempt at neo-imperialism as it appears to formalize an economically imbalanced exchange (Brautigam 56). Impact to labor is measured in employment patterns and working conditions, which is indicative of larger benefit or loss. Is local labor used and to what extent? What are the hours and wages of the African worker? Keeping in mind these criteria, when RFI agreements are present in Angola and Ghana, the local employment on those projects tell different stories. This paper makes the argument that the variation is due to the actions of domestic political institutions in the bargaining process with China and whether the institutions include labor interests. In order to systematically analyze this intervening factor, I selected Angola, which has high populations of Chinese imported labor, and Ghana, which has the employment of local labor and the organization of labor unions on Chinese projects. This paper also asserts that the effectiveness of the domestic political institutions depends on how democratic they are. Thus, drawing on Alden's typology of African states, Angola and Ghana represent an example of an illiberal regime and of a stable democracy respectively (Alden 2007).

Often in countries where the work force expresses displeasure with the employment practices of the Chinese companies, the government is satisfied with it, indicating that there are actors with conflicting goals in Chinese investment deals. In cases of dissent, there is exclusion of the workers' voices. Because China stands by a non-interference policy when it comes to local politics and its agreements carry no stipulations on governance or ethics standards, Chinese influence in its own hiring practice is tempered through African political institutions. The argument supplements the existing scholarship on China-Africa that considers relations through a focus on domestic African politics. By analyzing the micro-level of employment patterns, further complexities of the China-Africa relationship can be revealed as well.

The paper will introduce the Beijing Consensus and the reasons for concerns with China's Africa strategy at the state level. It will also address common practices of FDI and multinational corporations and why they do not completely explain the employment situations in Angola or Ghana. In the Angola case, exclusionary enclaves within the state result in little to no Angolan employment. Meanwhile, in the Ghana, the presence of democratic opportunity structures allows the local workforce to bargain with Chinese companies. Finally, I will present a generalizable understanding on employment patterns in China-Africa projects.

The Beijing Consensus and its Dissidents

To understand why there is trepidation regarding China's move into Africa, it is imperative to understand the components of the Beijing Consensus and how it deviates from previous international norms. China proposes the Beijing Consensus as the alternative to the Washington Consensus. China argues that countries should not be kept from important developmental finance because the political situation does not meet certain standards, so they adhere to a non-interference policy when it comes to domestic situations. Essentially, China does not require these African countries to abide by specific budgeting philosophies, ethics standards, political systems, etc. (Brautigam, ch. 5). And unlike the World Bank or the International Monetary Fund (IMF), the Chinese model mixes their loans with business. Chinese companies sign onto aid agreements, and any loans dispatched from the donor banks, such as the China Exim Bank, go to the Chinese companies contracted to complete the work (Brautigam, ch. 5). This contributes to China's narrative of a win-win situation, where the developing country gets the infrastructure it needs, and Chinese companies receive business. These tenements of the Beijing Consensus are the basis for the RFI agreements that will be studied here (Brautigam, ch. 5).

This framework has received praise for what it can bring to the African continent. Moyo argues that the focus on trade, investment, and infrastructure sets these other economies further along the development curve and that these alternative characteristics provide the win-win situation China expounds (Moyo 2009). However, many of the qualities, that optimists praise the Beijing Consensus for, are the same ones that draw the most criticism. The lack of political stipulation has raised concerns about China exacerbating existing problems. China's bad track record with human rights will be exported abroad and their position of non-involvement will have negative social implications if the political situation is unstable (Henderson 2008). Some scholarship considers China's behavior as that of a neo-colonial power (Manning 2006). The binding of aid with business do not help this perception. The framework has been called a form of debt-trap diplomacy as China purposefully crafts relationships of economic dependency. Howard French showed through the interviews in his book that Chinese investment could flood Africans from the job market and declared that China was seeking to make Africa their second continent (French 2014).

The generalization of China in Africa as an entirely negative or positive impact neglects the role of African states in the equation and fails to address how the China-Africa story contains various nuanced relationships. In *The Dragon's Gift,* Bräutigam interrogates Chinese interaction in Africa across sectors and ultimately discovers that Chinese investment is complicated. As with any form of foreign investment, there are aspects that are beneficial and aspects that are not (Brautigam 2009). In line with Brautigam's conclusions, some of the literature around China-Africa has sought to understand the flexigemony of Chinese investment, or how the nature of investment changes from state to state based on domestic conditions (Carmody and Taylor 2010). This paper follows this direction in scholarship and studies the presence of flexigemony in the effects upon labor specifically.

Bargaining for "the Dragon's Gift"

The goals in Africa are to generate business, revenue, and positive relationships for China. China's deals explicitly tie their loans to Chinese companies for the construction portion. Thus, it is possible that the variation reflects the wish to create profit by maximizing efficiency or minimizing cost. Yet, this conventional wisdom would have China employ more local workers, as is the norm for most multinational corporations, since that would be a more convenient and cheaper source of labor (UN Conference on Trade and Development 2011). This assumption does not hold in the Angola case, where the status quo is greater imported laborers. The next explanation would be that China needs skilled labor, but the positions filled by Chinese contract workers are most often merely that of the average construction worker. Ghana also defies this explanation. The workers hired in Ghana are not for managerial positions and the Ghanaian labor pool is not more skilled than the Angolan one (Kirchherr et al. 42). In both cases, the managerial level of Chinese companies bemoans the local labor force for not understanding Chinese business models and for being less efficient than Chinese laborers (Brautigam 2009, 228). If neither demand for skilled labor or cheap labor fully explains the variation between Angola and Ghana, and Chinese companies hold the same complaints about local labor in both, then there is something else affecting the employment patterns in these countries. Common hiring practices for multinational corporations fails to explain fully the resulting labor patterns, offers no analytical power for the kinds of institutions that China relates to in these countries, and reveals little about the complexity of the bargaining process from the African position.

The non-interference doctrine is a better entry point for understanding the employment patterns. China does not require that the FDI process or the economic governance of a country behave to certain standards. This extends to China's perspective on labor laws and hiring practices. Since China does not interfere with domestic institutions and appears to have a similar motivation (to gain business and to leave a positive impression of Beijing) across different states, then the power-structure within domestic political institutions provide a more complete explanation for the observable differences. Examining Chinese FDI and its impacts on local labor as a bargaining process reveals the power of interests in settling deals and disagreements. The flow of FDI in or out of a country is ruled by sets of regulations, and where there are regulations, there are actors that crafted those regulations, and this is where the structure of a negotiated deal is useful for analyzing the interests that are and are not represented. The variation in local employment rates between African states, in this study being Angola and Ghana, can and should be viewed as a narrative of interacting interests in a bargaining process with China. For these case studies, I relate the ability of the domestic political institution to represent the interests of labor to the level of democracy in those institutions. This assumption stems from institutionalist theories that democracy provides more opportunity structures for civil society to mobilize and more tools to incentivize desired behaviors from elected politicians (White 1994).

The Angola Case

Angola is one of the top five African contributors to the gross revenue of Chinese construction companies, and it is considered an illiberal regime with a weak democracy (Alden 93). The first significant agreement for Angola in this new era of China Africa engagement occurred in 2002, not long after the end of Angola's 27-year civil war. The country was in desperate need of financing for reconstruction and turned to China for an oil-based credit line with little conditionality. China offered an RFI agreement, which was signed in 2003 by the Angolan Ministry of Finance and the Chinese Ministry of Trade, and in 2004, the first financing package of 2 billion USD for public works projects was approved (Mohan 2014). Since then, Angola has received over 42 billion USD in loans, and in 2017, Chinese construction companies received over 6.6 billion USD of their annual revenue from Angola alone (Brautigam *China Africa Contract Data*). The credit line has opened countless projects in public works, fishing, agriculture, transportation, etc.

By these metrics, there is indeed a win-win situation in Angola. Li Ruoguo, the President to the China Exim Bank, summarizes China's impact on Angola as follows: "… Before China's engagement with Angola, their credit rating was D, 'highly risky'. Now the rating has been upgraded to C or better. Germany, Japan, Denmark are rushing in to provide loans to Angola" (Brautigam 186). However, the loan money stays in the Chinese companies and the profit from extracted oil goes towards repayment or into the pockets of the elites controlling the deal from the Angolan side. Little of this money enters the real economy and so the average Angolan worker does not greatly profit from Chinese investment. In recent years, this has garnered criticism from civil society in Angola, especially from the labor force (Faucon and Su 2010).

Angola is known for having some of the highest proportions of Chinese workers in the labor pools for projects. At the end of 2017, there were over 25,500 Chinese migrants estimated to be employed in Angola as workers on contracted projects or as labor services with non-Chinese businesses, and Angolans have complained about feeling pushed out of their own labor market (Brautigam *China Africa Labor Data by Country*). These tensions have come to head multiples times in the past. Notably, in 2010 the resentment was expressed in the form of attacks and robberies on Chinese nationals by anti-government rebels and organized crime, and in 2015 civilians protested President Eduardo Dos Santos' visit to China to discuss more oil-based agreements (Faucon and Su). While these are not ideal labor relations for Chinese companies to be embroiled in, the problems that Angolan labor has with political representation of their interests would not be resolved simply with the removal of Chinese investment. The employment patterns and subsequent labor responses are the result of Angolan institutions failing to represent local labor's interests in their negotiations.

Even though the incidents in 2010 and 2015 were directed against China's presence in Angola, they were to a certain extent a redirection of frustration with the government of Angola that excludes workers from the benefits of Chinese trade. As briefly alluded to before, Chinese investment in Angola is primarily in extractive industries such as oil, which is monopolized by small groups of elites. All the contracts that Angola receives is filtered through an intentionally exclusive coalition of a few agencies and companies, and contract negotiation for the credit-line projects happens with little public transparency. Typically, Angola proposes a project, China puts forth three or four companies for selection, and the companies are reviewed by a third party.

(Brautigam, ch. 5). However, many of the companies currently operating in Angola are listed under the same Hong Kong address as the China International Fund, where a collection of individuals owns all the firms. On the Angolan side, before 2010 Angola's Reconstruction Office, the Gabinete de Reconstrução Nacional (GRN), managed this credit along with most of the major infrastructure projects. The GRN was accountable only to the President, and in 2010, the management of the projects was handed to a private company called Sonangol Imobiliária (Sonangol Real Estate), successfully allowing elitist actors to dominate the bargaining with China (Power 2011). This method of organization in Angola means that the holders of these companies are able to construct enclaved institutions that are completely removed from the democratic process. These institutions of elite brokerage have been noted by scholars inside and outside of China-Africa studies and have been referred to as a type of parallel governments, the formal and the shadow (Cristina Roque 2011).

The success of these expedited channels of investment empowers the ruling party in a cyclic nature. President Dos Santos and the Movimento Popular para a Libertação de Angola (MPLA) have used the influx of oil revenues to strengthen their grip and enabled them to dominate any opposing political forces (Aidoo and Hess 2015). The enduring stability of President Dos Santos and the MPLA incentivizes China to court their interests at the expense of civil society and labor voices. These exclusionary structures mediate the form that Chinese investment is expressed in, influence the Chinese companies' interactions with local labor, and create a division in China-Angola relations. The weak democracy and the clientelist behavior fail to represent the dissent of the local labor force in their negotiations with China. As a result, these Chinese companies are experiencing two kinds of reactions from Angola. While President Dos

Santos describes President Xi as akin to a brother, the Luanda taxi driver says, “We have always been slaves. We are lost in the world. We are the leftovers” (Coroado 2015).

The Ghana Case

For the purposes of this paper, Ghana is being treated as a stable democracy with a diversified economy. Although Ghana’s economy is not truly diversified, it has one of the best democracies within sub-Saharan Africa and is a good case to analyze when it comes to labor patterns in Chinese contracted work. Chinese investment has increased in recent years due to Ghana’s resource potential after the discovery of oil offshore. Ghana has not established a resource extraction backed credit-line but has received multiple agreements of the RFI variety. The Bui Hydroelectric Dam is the most prominent by far and will be the focus of this case study. Since 2000 Ghana has received over 1.09 billion USD in loans and at the end of 2017 had about 4,900 Chinese workers (Brautigam *Chinese Loans to African Governments*). The local worker’s reality in Ghana shows great variance from that of Angolan workers. On the Bui Dam Project, a total of 1,876 workers were hired at the end of construction with only 100 of those being imported Chinese workers, and there was a formal trade union on site (Otoo et al. 2013). In general, Chinese business does not work in tandem with labor unions, making the Bui Dam an even more interesting study.

The Bui Hydroelectric Dam was first considered in 1925 when it was deemed that the location would be an ideal spot for a dam of the non-hydroelectric sort. In 1978, Australia and the World Bank were involved in the plan to construct a hydroelectric one, but it fell through after a series of *coup d’états* within Ghana. Finally, official plans for the hydroelectric dam was brought back at the 2006 summit of the Forum on China–Africa Cooperation in Beijing. It was funded by the China Exim Bank and constructed by Sinohydro. The loan money stayed with Sinohydro, and the dam was gifted back to the Ghanaian government after construction was completed (Kirchherr et al. 47). Representing the Ghanaian state interest in the project, the government created the Bui Power Authority as the agency to manage the day-to-day construction of the dam. The total cost of the project was estimated to be 622 million USD with 60 million USD from the Ghanaian government and a concessional loan of 263.5 million USD as well as a buyers' credit of 298.5 million USD from the China Exim Bank (Otoo et al. 2013). It is generally agreed that without Chinese financial and technical support, the Bui Hydroelectric Dam would probably have not happened due to problematic building conditions.

Even prior to the Bui Hydroelectric Dam, trade unions in Ghana had issues with low wages and long hours in Chinese businesses. Although Ghana was able to bargain for a required 90% local labor force in the original deal, concerns about working conditions were present once more at the beginning of the dam construction in 2008 that (Kirchherr et al. 2016). However, Ghanaian workers on the project were able to organize and received the backing of the Bui Power Authority and the Ghana Traders' Union Association. In 2008, there was no trade union present at the Bui Dam due to the actions taken by Sinohydro to break up any labor organization, but by the time the dam opened in 2013, workers were being paid almost double the national minimum wage (Otoo et al. 2013). Although Sinohydro had been determined to intimidate any attempts at labor organization intially, they were forced to open communication and negotiate contracts at the prompting of the Bui Power Authority in 2009. In 2010, a representative from Sinohydro described the role of the labor union on site as being that of a monitoring force, which due to its national support, was able to compel certain behaviors from Sinohydro (Kirchherr et al. 37). A key difference in the domestic institutions involved in negotiating the China relationship in Angola versus Ghana lies in the quality of democracy. Ghana's democracy gives a roadmap for reacting to mobilization and incentivizes positive response since the continuation of any politician or political party's authority relies on their voting base.

Ghana's democratic government has been in place since 1992, holding fair and free elections between its major parties since then. In the last two decades, these elections have been competitive and resulted in important electoral turnovers, which pushes Ghana past Huntington's threshold for entrenched democracy (Aidoo and Hess 2015). Outside of the Bui Dam project, there have been other instances of Ghana's government reflecting labor and civilian interests in their relations with China. The government has absorbed some union concerns about the harsh working conditions in Chinese firms, the use of child labor in mining, and the potential of Chinese migrant workers to flood the job market. In 2013, this resulted in the deportation of a mass of Chinese nationals (Lampert and Mohan 2014). Although neither of the major political parties have included this anti-Chinese sentiment in official platforms due to the economic importance of continued Chinese finance, the crucial insight is the extent to which labor can shape the impacts of Chinese investment. As a local worker describes, "We know [the Chinese] are bribing the politicians and leaders, but we will not say anything. All we can do is vote them out of office" (Aidoo and Hess 2015).

African Autonomy and its Civilians

In terms of state ownership of project ideas, China is more open to allowing the other party to set the agenda than traditional international donors (Brautigam, ch. 5). In the Sustainable Development Goals articulated by the United Nations, there was a push for allowing the receivers of aid packages to set the construction project proposals. China does a more consistent job than the IMF or the World Bank with signing onto projects by request, even if that results in multiple soccer arenas in Zambia (Brautigam, ch. 5). The Angolan government exercises considerable autonomy within their credit-line projects with China, but the autonomous actions taken by the state do not reflect the concerns that its civil society has with Chinese investment. On the other hand, Ghana successfully defends and supports their labor organizations in engagement with Chinese firms. The problem in Ghana is that while the state has a strong democratic system, they do not possess a diversified economy and still need China and other foreign financers. Thus, the major political parties would not fully absorb those issues into their platforms. South Africa has one of the most diversified economies in Africa and until 2016 received almost no loans from China (Brautigam *Chinese Loans to African Governments*). Both its politicians and its working civilians, whose social prospects would be directly impacted by an increase in Chinese contractors, expressed hesitance towards engagement with China as early as the first Forum on China–Africa Cooperation. As much as Chinese companies want stronger economic relations with South Africa, they focused their attention elsewhere after facing reluctance and suspicion.

Accepting the popular narratives of Chinese involvement overgeneralizes the impact of China and ignores the role that the autonomy and structure of each state plays in shaping the conditions of deals. While analysis of labor has limitations due to its scope, it still reveals a pattern in Chinese investment behavior that is based in state-by-state negotiations and changing approaches depending on the political and social environment. Chinese firms prove themselves to be quite flexible in their reactions. China continues to import workers into Angola, but as local labor became more disillusioned with Chinese companies, China has also decreased the number of workers they bring in. Since 2014, the amount has decreased by more than half, and there has been evidence that the number of local hires increases the longer a company conducts business in Angola (Brautigam *China-Africa Labor Data*).

These findings indicate that the Beijing Consensus is a work in progress. Many of these agreements are worked out between contractors and the borrowing state with Beijing only giving the final approval through the China Exim Bank, but there is little proof of an imposing agenda beyond generating business and good impressions. Chinese companies are given much free reign to make their own business decisions. There is no conditionality attached to the Beijing Consensus as with the Washington Consensus, making it harder to pin down its effects. At the same time, the lack of standards is perhaps the most concerning part for civilian workers. The default of non-interference may not be enough when the state has a dismal human rights record in the first place (Carmody and Taylor 2010). For example, in the Democratic Republic of the Congo, China exports the largest proportion of copper from the Katanga region, which has been shamed by international organizations for the abuses of child labor in the mines. While this problem exists with or without China exporting copper, China's non-interference policy makes it so that they absolve themselves of all responsibility when it comes to enforcing ethics standards. If China wants to step into the international donor arena, it is possible that it will have to adopt some level of ethical norms.

Conclusion

Through studying the patterns of local employment as a result of conflicting interests, it reveals the different institutions that are involved in the China-Africa relationship. It reorients China's behavior as a more flexible entity, allowing the actions and non-actions of African nations to take a centered role in analysis. Employment of local labor in two countries is a rather small area to cover in the greater China-Africa relationship, but this same framework of negotiation and bargaining could perhaps be applied to other aspects in these international relations.

In the process of answering my limited research questions, larger issues about China's place as an international donor and principles of development finance can be seen. As China ventures further into the world of traditional international donors with the One Belt One Road Initiative and the Asian Infrastructure Investment Bank, will China need to better articulate human rights norms? Is there any form of foreign development finance that truly promotes a win-win situation in countries where the road of development is difficult to parse? Who gets left behind in the race for development, and does that then become the lender's responsibility? These are pertinent questions that could not be addressed within the scope of this project, but they are important not only for China's policy moving forward but for all actors in international development finance. When one takes away the novelty of China as an international donor, it becomes clear that many of the problems that arise in the Beijing Consensus are universal. Looking at the relationships of Chinese development finance, we can see how it offers an alternative model, but the root of the debate is still the same. How do we achieve effective development?

Works Cited

Aidoo, Richard, and Steve Hess. "Non-Interference 2.0: China's Evolving Foreign Policy towards a Changing Africa." *Journal of Current Chinese Affairs* 44, no. 1 (March 2015): 107–39. doi:10.1177/186810261504400105.

Alden, Chris. *China in Africa*. London: Zed Books. 2007.

Bräutigam, Deborah. *The Dragon's Gift: The Real Story of China in Africa.* Oxford: Oxford University Press. 2009.

Bräutigam, Deborah. *China-Africa Contracts Data*. 2018. Distributed by China Africa Research Initiative at John Hopkins School of Advanced International Studies.

Bräutigam, Deborah. *China-Africa Labor Data by Country*. 2018. Distributed by China Africa Research Initiative at John Hopkins School of Advanced International Studies.

Bräutigam, Deborah. *Chinese Loans to African Governments, 2000-2017*. 2017. Distributed by China Africa Research Initiative at John Hopkins School of Advanced International Studies.

Carmody, Padraig, and Ian Taylor. "Flexigemony and Force in China's Geoeconomic Strategy in Africa: Sudan and Zambia Compared." *Geopolitics*, 15, no. 3 (2010): 495–515.

Coroado, Herculano, and Joe Brock. "Angolans resentful as China tightens its grip." *Reuters*, 9 July 2015.

Faucon, Benoit, and Sherry Su. "Hostility Toward Workers Cools Angola-China Relationship." *The Wall Street Journal*, 10 August 2010.

French, Howard. *China's Second Continent: How a Million Migrants Are Building a New Empire in Africa.* New York: Random House. 2014.

Henderson, Jeffrey. "China and Global Development: Towards a Global Asian Era?" *Contemporary Politics*, 14, no. 4 (2008): 375–92.

Kirchherr, Julian, Tim Disselhoff, and Katrina Charles. "Safeguards, financing, and employment in Chinese infrastructure projects in Africa: the case of Ghana's Bui Dam." *Waterlines* 35, no. 1 (2016): 37-58.

Lampert, Ben, and Giles Mohan. "Sino-African Encounters in Ghana and Nigeria: From Conflict to Conviviality and Mutual Benefit." *Journal of Current Chinese Affairs* 43, no. 1 (2014): 9–39.

Manning, Richard. "Will 'Emerging Donors' Change the Face of International Cooperation?" *Development Policy Review* 24, no. 4 (2006): 371–85.

Mohan, Giles. "China in Africa: Impacts and Prospects for Accountable Development." In *The Politics of Inclusive Development: Interrogating the Evidence*, edited by Sam Hickey, Kunal Sen, and Badru Bukenya. Oxford: Oxford University Press, 2014.

Moyo, Dambisa. *Dead Aid: Why Aid Is not Working and How There Is Another Way for Africa*. London: Penguin. 2009.

Otoo, Kwabena Nyarko, Nina Ulbrich, and Prince Asafu-Adjaye. “Unions Can Make a Difference: Ghanaian Workers in a Chinese Construction Firm at Bui Dam Site.” *Labour Research & Policy Institute*. 2013.

Power, Marcus. “Angola 2025: The Future of the World’s Richest Poor Country as Seen through a Chinese Rear-view Mirror.” *Antipode* 44, no. 3 (2011): 993–1014.

Roque, Paula Cristina. “Angola: Parallel governments, oil and neopatrimonial system reproduction.” *Institute for Security Studies,* 6 June 2011.

Taylor, Ian. “China’s Oil Diplomacy in Africa.” *International Affairs* 82, no. 5 (2006): 937–59.

United Nations Conference on Trade and Development. “Best Practices in Investment for

White, Gordon. “Civil society, democratization and development (I): Clearing the analytical ground.” *Democratization* 1, no. 2 (1994): 375-390.